



# BUDGET SUMMIT III

*Community Voices and Budget Choices*

July 9, 2005





## **Financial Strategic Plan Roots of the Gap**

- **In FY 03, General Fund Structural Deficit Increased to \$43 million**
- **Projected to Increase to \$102 million Over Next Three Years If Not Addressed**
  - ✓ Loss of UUT Revenue
  - ✓ Return of Pension Costs
  - ✓ Healthcare and Workers' Compensation Increases
- **Mayor and City Council Called for Development of Financial Strategic Plan**





## Financial Strategic Plan Background

**\$102 million      Projected Three-Year Structural Deficit**

**- \$41 million      Plan Year One: City Council-Directed  
Deficit Reductions for FY 04**

**- \$33 million      Plan Year Two: City Council-Directed  
Deficit Reductions for FY 05**

**+ \$3.8 million      Unresolved FY 05 Plan Savings**

**\$32 million Structural Deficit Remaining To Be Solved**





## Endorsed Three-Year Plan Is Working

- **City Council Leadership Paying Dividends**
- **Plan Goals Achieved to Date**
  - ✓ Reduced Budget Gap by Approximately \$70 million
  - ✓ Workers' Compensation, Code Enforcement and Other Optimization Efforts
  - ✓ Reduced Reliance on One-time Resources
- **Approach to Address Deficit Responsive**
  - ✓ Plan Solutions Have Reflected "Voice Your Choice" Input Keeping Public Safety and Infrastructure Highest Priorities
  - ✓ Added 26 Police Officers Over Two Years
- **Plan Success Has Come With Service Delivery Impacts**





## Ongoing Service Delivery Impacts

- **Longer Customer Service Response Times**
- **Decreased Library Hours by 20 Percent**
- **Delayed Street Repair and Tree Maintenance**
- **Longer Response Times for Utility Services**
- **Increased Charges for Services**
- **Curtailed Funding to Outside Service Providers**
- **Increased Employee Workloads and Responsibilities**





## City Council's Priorities

- **Reduce Violent Crime**
- **Economic Development**
- **Environment**
- **Neighborhood Quality of Life**
- **Community Involvement**
- **Workforce and Business Development**
- **Public Health**
- **Quality Housing Development**
- **Transportation System**
- **Structurally Balanced Budget**





## Budget Strategy for Fiscal Year 2006

- **Continue to Address Remaining Structural Deficit**
  - ✓ Difficult Service Reductions Required
  - ✓ Must Adhere to Plan's Objectives to Live Within Means
- **Non-General Fund Resources Provide Opportunity to Make High Priority Investments**
  - ✓ Infrastructure Needs of Aging Streets and Buildings
  - ✓ Clean Neighborhoods





## Budget Strategy for Fiscal Year 2006

- **Natural Revenue Growth Must Be Committed to Address Overdue Compensation Issues and Increasing Costs of Services**
  - ✓ Competitive Salaries for Public Safety
  - ✓ Cost of Doing Business - Utilities, Fuel, etc.
- **Evolve Financial Strategic Plan to Reflect Changes**





## Proposed Update to the Plan

- **Third Year (FY 06) of Plan Most Difficult**
  - ✓ Included Tax Increases
  - ✓ Further Employee Concessions
  - ✓ No Compensation Increases
- **Recommend Extend Plan into FY 07**
  - ✓ Avoid Elimination of Services and Wholesale Cuts to Organization
  - ✓ Extending Plan Comes With Challenges and Opportunities





## **FY 06 Budget Challenges**

- **\$32 million of Structural Deficit Remaining**
- **Further Reduction in Services to Community**
  - ✓ Recreation Programs
  - ✓ Library Services
  - ✓ Non-emergency Public Safety Services
  - ✓ Staffing Reductions
  - ✓ Further Contracting
- **Increased Fees for Services to Community**
- **Continued Use of One-time Resources**





## **FY 06 Budget Opportunities**

- **Non-General Fund Resources Support Infrastructure Investments & Clean Neighborhoods**
- **Natural Revenue Growth Helps Address Overdue Public Safety Compensation**
- **Allows Time to Pursue New Revenue Opportunities to Restore Plan-impacted Programs or Enhance Priority Services**
- **Maintains Positive Momentum to Solve Deficit**





## Workforce Management

- **Continue Respectful Treatment of Workforce**
- **Optimization Before Contracting**
- **Hiring Freeze Provides Maximum Opportunities to Transfer Impacted Employees**
  - ✓ To Date Over 375 Positions Reduced, 60 Employees Impacted, All Transitioned
  - ✓ Approximately 50 Positions Proposed Reduced in FY 06, Committed to Continued Transition Opportunities
  - ✓ Vacancies Place Additional Burden on Existing Employees, Compromise Response Times





## Positioning for the Future

- **Adhere to the Plan's Objectives**
  - ✓ Live Within Our Means
  - ✓ Balanced Downsizing of the Organization
  - ✓ Support Core Community Services
- **Continually Optimize Organization**
  - ✓ Maximize Efficiencies
  - ✓ Improve Service Delivery
- **Utilize Performance Management**
  - ✓ Focus on Results
  - ✓ Align Planning, Budgeting and Performance
  - ✓ Increase Accountability At All Levels of Organization





## **Focus On Results Long Beach Budgeting for Results**

- **Performance Management Ensures Services to Community the Priority, Better Communication of Results**
- **In FY 06 Budget, All City Manager Departments Will Include Program Structure and Performance Measures**
  - ✓ Department Budgets by Program
  - ✓ Associated Services
  - ✓ Output Performance Measures for Each Program
  - ✓ Full Business Plan Departments Will Include Additional Information:
    - Issue Statements, Strategic Objectives, Program Purpose Statements and Full Family of Measures (Output, Outcome, Demand and Efficiency)
- **Performance-based Program Budget Will Evolve With Time: FY 06 Budget is a Work In Progress**





## **FY 06 Budget Development**

- **Must Stay the Course With the Plan, Making the Difficult Decisions to Solve Structural Deficit**
- **Will Seek Opportunities for Investments in Public Safety, Infrastructure and Clean Neighborhoods**
- **New Revenue Options Should Be Considered to Restore Plan-impacted Services and Enhance Priority Services**
- **Performance Management Provides Tools and Information to Best Manage Current Resources**
  - ✓ Performance-based Program Budgeting Key to Resource Allocations Reflecting Community Priorities





# Fiscal Environment

## - Economy Improving

### • General Fund Revenue Performance

- ✓ Realizing Modest Growth Due to End of UUT Reductions
- ✓ FY 05 Revenue Performance Mixed
  - Sales Tax
  - Business License Tax
  - Transient Occupancy Tax
  - Oil Profit Transfer (One-time)
  - Vehicle Code Fines
  - American Golf
- ✓ Certain FY 06 Revenue Improving
  - Property Tax
  - Sales Tax
  - Business License
  - Code Enforcement Fines





## **Fiscal Environment – Increasing Costs**

- **General Fund Expenditure Performance**
  - ✓ Further PERS Increases
  - ✓ Health Care Costs
  - ✓ Public Safety Salary Adjustments
  - ✓ Service Contracts
  - ✓ Utilities and Fuel
- **Natural Revenue Growth Supports Increased Costs**





## FY 06 State Budget

- **Proposition 1A Instrumental in Avoiding State Takeaways**
  - ✓ Final \$5 million Property Tax Payment from City to State
- **Dedicates \$1.3 billion to Transportation Projects, Fully Funding Proposition 42**
  - ✓ Allows for Additional Investment in Streets
  - ✓ \$2.2 million Expected for Long Beach
- **Cities and Counties To Receive \$1.2 billion in VLF Revenue Owed By State**





## Impacts to the Plan – FY 06

- **\$28 million - Projected FY 06 Deficit**
- **\$3.8 million – Unresolved FY 05 Savings**
- **\$32 million – Updated Projected FY 06 Deficit**
- **Approximately \$23 million in Proposed Plan Options Solve 2/3<sup>rds</sup> of Remaining Deficit**
  - ✓ \$13 million in Program and Cost Reductions
  - ✓ \$8 million in New and Existing Fees
  - ✓ \$2 million in Alternate Non-General Fund Sources
- **About \$10 million - One-times Needed to Balance FY 06 Budget**
- **Exploring Further Options to Increase Revenue to Support Investments in Infrastructure and Public Safety**





# Financial Plan Changes Breakout Session Preview

- **Breakout Sessions Organized By Area of Service Delivery**
  - ✓ Community Safety
  - ✓ Employee Impacts, Service Optimization and New Revenue Options
  - ✓ Libraries, Parks & Recreation and Cultural Services
  - ✓ Neighborhoods, Business and Healthy Communities
  - ✓ City Infrastructure, Maintenance and Utilities
  
- **Breakouts Designed for Maximum Flexibility**
  - ✓ Visit Breakout Rooms at Your Own Pace
  - ✓ Interact Directly with Department Directors and Staff
  - ✓ Information on Core Services Provided as well as Proposed Plan Options





## Financial Plan Changes Breakout Session Preview

### • **Community Safety**

- ✓ Two Percent Reduction in Civilian Staffing Non-Patrol Functions
- ✓ Optimize Community Relations Division
- ✓ Optimize Parking Enforcement and Ambulance Billing and Collections
- ✓ Increase Fire Prevention Fee Increases
- ✓ Provide Basic Life Support (BLS) Transportation Services In-House





## Financial Plan Changes Breakout Session Preview

- **Employee Impacts, Service Optimization and New Revenue Options**
  - ✓ Health Care Plan Reorganization
  - ✓ Streamline and Reorganize Technology Services Department
  - ✓ Additional Revenue from Utility Late Fees, Business License Taxes and Parking Citation Processing
  - ✓ Convenience Fees for Credit Card and Remote Pay Station Payments
  - ✓ Increased Cable Franchise Revenue





## Financial Plan Changes Breakout Session Preview

- **Libraries, Parks & Recreation and Cultural Services**
  - ✓ Additional Library Closures at Main and North One Additional Day per Week
  - ✓ Reduce Educational Programming and Service Levels System-Wide
  - ✓ Suspend North and Freeman Police Athletic League Programs
  - ✓ Restructure Citywide Park Ranger Program
  - ✓ Reduce Nature Center One Day Per Week
  - ✓ Reduce Contract Staffing in the Gang Intervention and Prevention Program





## Financial Plan Changes Breakout Session Preview

- **Neighborhoods, Business and Healthy Communities**
  - ✓ Non-General Fund Resources for Code Enforcement
  - ✓ Economic Development Marketing Reductions
  - ✓ Improve Cost Recovery of Environmental Health Fees
  - ✓ Increase Fee for Issuance and Renewal of Temporary Certificates of Occupancy
  - ✓ Increase Re-inspection Fee for Business License Inspection





## Financial Plan Changes Breakout Session Preview

- **City Infrastructure, Maintenance and Utilities**
  - ✓ Optimize Use of City Facilities
  - ✓ Increased Community Clean-Up Efforts
  - ✓ Fully Recover City Towing Costs
  - ✓ Increase Pipeline Permit Fees
  - ✓ Gas Connection and Late Fee Increases





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